ALJ/SCR/sbf **PROPOSED DECISION** Agenda ID #12659 (Rev. 1)
Ratesetting
1/16/14 Item 24

Decision **PROPOSED DECISION OF ALJ ROSCOW** (Mailed 12/17/2013)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of its 2009 Rate Design Window Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation (U39E).	Application 09-02-022 (Filed February 27, 2009)

DECISION GRANTING PETITION FOR MODIFICATION OF DECISION 11-11-008 and DECISION 10-02-032

1. Summary

This decision grants Pacific Gas and Electric's (PG&E's) Petition to Modify Decision 11-11-008 and Decision 10-02-032 to allow recovery of incremental expenditures required to implement dynamic pricing rates authorized for 2010 and 2011, but actually incurred through the end of 2016, and to modify a requirement in that PG&E directly contact those customers who are expected to experience specified levels of increases in their annual costs when they transition to time-of-use or peak-day pricing rates.

This proceeding is closed.

2. Background

In Decision (D.) 10-02-032 the Commission advanced its policy to make dynamic pricing available for all electric customers by adopting and implementing default and optional critical peak pricing (CPP) and time-of-use (TOU) rates beginning May 1, 2010 for certain customers of Pacific Gas and

Electric (PG&E).[1] That decision also authorized PG&E to establish the Dynamic Pricing Memorandum Account (DPMA), to track incremental expenditures required to implement specific dynamic pricing rates.[2] The decision also ordered PG&E to undertake customer outreach and education activities and measures to ensure customer awareness and understanding of the new rates and options, and directed PG&E to conduct outreach to the 10 percent most-impacted small and medium business (SMB) customers.

In D.11-11-008, the Commission addressed two Petitions for Modification of D.10-02-032. Among other actions, the Commission adopted deadlines of November 2012 for transition of SMB business customers to mandatory TOU rates, and March 2013 for transition of small and medium agricultural customer to mandatory TOU rates. The decision also lengthened the time period that customers would receive interval meter data before defaulting to PDP, from one year to two years.

PG&E filed the instant Petition for Modification of D.11-11-008 and D.10-02-032 on March 13, 2013. In this Petition, PG&E requests that the Commission: (1) modify D.11-11-008 and D.10-02-032 to extend the DPMA to allow recovery of expenditures authorized for 2010 and 2011, but actually

---

[1] PG&E refers to its CPP rates, in conjunction with TOU rates, as Peak-Day Pricing (PDP) rates

[2] D.10-02-032, Conclusion of Law 65: "The ratemaking treatment for recording PDP costs into the DPMA should be extended beyond 2010 to provide recovery through the DRAM [Distribution Revenue Adjustment Mechanism] of the revenue requirement associated with (1) any additional PDP costs above the amount approved in this case after the additional costs are determined reasonable by the Commission, and (2) any costs that are authorized by this decision for 2010, but are actually incurred in 2011, provided it is shown that such costs are not included in PG&E's 2011 GRC [General Rate Case] authorization."

incurred through the end of 2016; and (2) modify the requirement related to outreach to the 10 percent most-impacted customers, so that PG&E will directly contact those customers who are expected to experience both a two percent or greater, and $100 or more, increase in their annual costs when they transition to TOU or PDP.

3. Discussion

Rule 16.4 of the Commission's Rules of Practice and Procedure governs Petition for Modification. Rule 16.4(b) states that:

> a petition for modification of a Commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision. Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.

With respect to Rule 16.4(b), PG&E describes its justification for the requested relief and proposes specific wording to carry out all requested modifications to the decision; PG&E does not allege new or changed facts, and therefore does not provide any supporting declaration or affidavit. PG&E does rely on material distributed to the service list in this proceeding, as it was directed to do in D.10-02-032.

No parties oppose PG&E's requested modifications.

a. Extending the DPMA

In D.08-07-045, the Commission authorized PG&E to record incremental expenditures required to implement specific dynamic pricing rates in a memorandum account, and to seek recovery of any such expenditures in a related rate design proceeding. The DPMA was authorized by the Commission in Resolution E-4210. Subsequently, in D.10-02-032, the Commission approved

PG&E's proposal to use the DPMA to record Peak Day Pricing costs and the DRAM for recovery of the associated revenue requirement through 2010, while providing that this cost recovery mechanism may be extended beyond 2010 in certain circumstances. In D.11-11-018, the DPMA recovery mechanism for authorized costs was extended through 2014.[3] PG&E now requests that recovery of authorized amounts through the DPMA be extended through 2016 instead of ending in 2014.

PG&E explains that due to the Commission's decision to modify the implementation schedules for default TOU rates and PDP rates for small and medium business customers and agricultural customers, certain groups of these customers would not ultimately default to PDP until November, 2016. PG&E's education and outreach efforts for these customers will necessarily extend through the same time period.

PG&E anticipates that a portion of the funding authorized in D.10-02-032 will be needed to cover some of the costs for the PDP default implementation, including education and outreach occurring in 2015 and 2016. Therefore, PG&E would like to use some of that funding for the education and outreach expenditures expected in 2015 and 2016. D.11-11-008 and D.10-02-032 only allow that authorized costs can be recorded through 2014 in the DPMA for rate recovery. In order to keep some funding authorized in D.10-02-032 for 2015 and 2016 expenditures supporting initial default SMB PDP implementation, PG&E requests that OP 1.i. in D.11-11-008 and OP 24 in D.10-02-032 be modified as shown below:

> PG&E's proposal to use the DPMA to record PDP costs and the DRAM for recovery of the associated revenue requirement

[3] D.11-11-008, Ordering Paragraph (OP) 1. i, modifying D.10-02-032, OP 24.

> through 2010 is adopted. This cost recovery mechanism may continue through 2016 to recover the revenue requirement associated with: (1) any additional costs above the amount approved in this case, after the additional costs are determined reasonable by the Commission, and (2) any costs that are authorized by this decision for 2010 and 2011, but are actually incurred through 2016, with the exception of those costs already included in PG&E's 2011 general rate case authorization.

PG&E notes that it makes this request to modify these decisions approximately 16 months after the Commission issued D.11-11-008, and explains that "this timing is reasonable because recent implementation of the first wave of initial SMB customer default to TOU in November 2012, along with related planning for the SMB TOU and PDP defaults in 2013, 2014 and 2015/2016, caused PG&E to determine that some funding authorized in D.10-02-032 would be needed in those years, especially given the significant number of SMB customers subject to default implementation in 2015 and 2016."[4]

Given the extended timing of the expenditures, as explained by PG&E, PG&E's request to extend the recovery period through 2016 is reasonable and should be granted. D.11-11-008 and D.10-02-032 should be modified to extend the DPMA to allow recovery of expenditures authorized for 2010 and 2011, but actually incurred through the end of 2016.

b. Person-To-Person Outreach

Regarding person-to-person outreach, in D.10-02-032 we directed PG&E to ensure that a customer service representative directly contacts at least the 10 percent of small and medium customers whose bills are likely to be increased by the largest percentage based on previous year's usage, if they are defaulted to

[4] PG&E Petition at 4.

and stay on the PDP rate. We directed PG&E to include a description of how utility representatives will engage these customers in the Customer Education and Outreach plan that we ordered PG&E to file as part of that decision.

In the instant Petition, PG&E proposes that this outreach requirement be changed, so that it would apply to customers whose annual bill will increase by both two percent or more and at least one hundred dollars due to the move to TOU or PDP. PG&E states that its proposal is based on two rounds of analysis performed on customers who would be transitioning to TOU in November 2012.[5] Using its proposed criteria, PG&E states that the number of customers that are impacted by this rate change is far less than 10 percent of the total population. Therefore, PG&E requests that the Commission establish a metric that specifically defines "most-impacted" to reflect an actual measurement of impact rather than the current requirement that is a straight calculation of 10 percent of the whole population, without regard to the magnitude of the actual impact. PG&E reasons that if small business customers are to be asked to take the time to review bill impacts, those impacts should be significant enough to merit the time needed for the discussion.

To implement its proposal, PG&E requests that OP 11 in D.10-02-032, be modified as follows:

> Regarding person-to-person outreach, PG&E shall ensure that a customer service representative directly contacts small and medium customers whose annual bills are likely to be increased by both 2 percent or more and at least one hundred dollars based on previous year's usage, if they are defaulted to

---

[5] PG&E states that its "Analysis of Most Impacted in Transition to TOU, February 2012" was provided to the service list in Application (A.) 09-02-022 through a notice of availability on March 5, 2012. Subsequently, an update to this analysis was served on the parties to A.09-02-022 on September 20, 2012.

> and stay on the PDP rate. PG&E shall include a description of how utility representatives will engage these customers in its customer Education and Outreach plan.

PG&E further requests that OP 12, bullet 4 in D.10-02-032, be modified as follows:

> The methods that will be used to directly educate the small and medium customers whose annual bills are likely to be increased by both 2% or more and at least one hundred dollars based on previous year's usage if they stay on the Peak Day Pricing Rate;

Regarding the timing of its request, PG&E explains that until it conducted its analysis of the customers "most impacted" in transition to TOU, it did not have the customer impact information necessary to determine that the 10 percent most-impacted approach would not effectively identify the customers with significant bill impacts.

PG&E's explanation of the analysis underlying its request is reasonable. However, we note that both the current "10% most-impacted" criteria and PG&E's proposed "2%/and 100 dollar increase" criteria are somewhat arbitrary. Therefore, although PG&E's justification for its requested is essentially logical and persuasive, we modify the proposed language slightly, so that PG&E's proposed criteria establishes the minimum number of customers who should be contacted. PG&E should use its own discretion to determine whether any additional small and medium customers whose annual bills are likely to increase should be contacted directly. With the inclusion of this modification, D.11-11-008 and D.10-02-032 should be modified to direct PG&E to ensure that a customer service representative directly contacts customers whose annual bill will increase by both 2% or more and at least one hundred dollars due to their move to TOU or PDP.

4. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. No comments were filed.

5. Assignment of Proceeding

Mark J. Ferron is the assigned Commissioner and Stephen C. Roscow is the assigned ALJ in this proceeding.

Findings of Fact

1. Certain groups of small and medium business customers and small and medium agricultural customers will not ultimately default to PDP until November, 2016, and PG&E's education and outreach efforts for these customers will necessarily extend through the same time period.

2. PG&E's study providing an "Analysis of Most Impacted in Transition to TOU, February 2012" was provided to the service list in this proceeding through a notice of availability on March 5, 2012. Subsequently, an update to this analysis was served on parties in this proceeding on September 20, 2012.

Conclusions of Law

1. Rule 16.4 of the Commission's Rules of Practice and Procedure governs a Petition for Modification.

2. PG&E's description of its justification for the requested relief and its proposed specific wording to carry out all requested modifications to the decision complies with Rule 16.4.

3. PG&E relies on material previously distributed to the service list in this proceeding, as it was directed to do in D.10-02-032, and therefore need not provide any supporting declaration or affidavit.

4. PG&E's Petition is unopposed.

O R D E R

IT IS ORDERED that:

1. The Petition for Modification of Decision (D.) 10-02-032 and D.11-11-018, filed by Pacific Gas and Electric Company (PG&E) on March 13, 2013 is granted:

   a. Ordering Paragraph (OP) 1.i. in D.11-11-008 and OP 24 in D.10-02-032 are modified as follows:

      PG&E's proposal to use the Dynamic Pricing Memorandum Account to record Peak-Day Pricing costs and the Distribution Rate Adjustment Mechanism for recovery of the associated revenue requirement through 2010 is adopted. This cost recovery mechanism may continue through 2016 to recover the revenue requirement associated with (1) any additional costs above the amount approved in this case, after the additional costs are determined reasonable by the Commission, and (2) any costs that are authorized by this decision for 2010 and 2011, but are actually incurred through 2016, with the exception of those costs already included in Pacific Gas and Electric Company's 2011 general rate case authorization.

   b. OP 11 in D.10-02-032 is modified as follows:

      Regarding person-to-person outreach, Pacific Gas and Electric Company shall ensure that, at a minimum, a customer service representative directly contacts small and medium customers whose annual bills are likely to be increased by both 2% or more and at least one hundred dollars based on previous year's usage, if they are defaulted to and stay on the PDP rate. PG&E shall use its own discretion to determine whether any additional small and medium customers whose annual bills are likely to increase should be contacted directly. PG&E shall include a description of how utility representatives will engage theses customers in its customer Education and Outreach plan.

   c. Bullet 3 of OP 12 in D.10-02-032, is modified as follows:

The methods that will be used to directly educate the small and medium customers whose annual bills are likely to be increased by both 2% or more and at least one hundred dollars based on previous year's usage if they stay on the Peak Day Pricing Rate.

2. Application 09-02-022 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.